PREPARED BY: DATE PREPARED: PHONE: Austin Ligenza February 3, 2021 (402)471-0050

LB 272

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 202	1-22	FY 2022-23			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS	\$182,810		\$28,000	(\$2,500,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	\$182,810		\$28,000	(\$2,500,000)		

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 272 seeks to adopt the Apprenticeship Training Program Tax Credit Act (Act). The Act is to be administered by the Department of Revenue. The Act defines a qualifying apprenticeship training program as:

- a program administered pursuant to 29 U.S.C. 50;
- Consists of between 1200 and 8000 hours of on-the-job training;
- Is certified in accordance with regulations adopted by the Office of Apprenticeship of the US Department of Labor; and
- Is administered by trustees.

Starting in January 1, 2022, and for taxable years thereafter, between November 1 and December 31 of each year, a qualifying taxpayer that employs one or more apprentices in a qualified apprenticeship training program can apply to the Department to receive a nonrefundable income tax credit equal to the following:

- \$1 multiplied by the number of hours expected to be worked by each employed apprentice in a qualifying apprenticeship training program.
- For each apprentice employed, the tax credit received is not to exceed either (a) \$2000, or (b) 50% of the total wages expected to be paid to the apprentice, whichever is less.

The Act allows any unused credit to be carried forward to subsequent years until fully utilized.

The Department of Revenue is to create the application, assess each application, certify the credit amount, and process tax credits on each qualifying taxpayer's tax return form. The Department is limited to certifying up to \$2.5 million in tax credits per calendar year.

LB 272 becomes operative 3 months after adjournment.

Revenue:

The Department of Revenue estimates the tax credit will be fully utilized if enacted. This would create a General Fund revenue loss of \$2.5 million beginning in FY22-23 and thereafter.

There is no basis to disagree with this estimate.

Expenditures:

The Department of Revenue estimates a one-time OCIO charge of \$104,910 to implement LB 272. Additionally, the department expects to need a 0.5 FTE Revenue Tax Specialist in FY21-22 and a 0.5 FTE Fiscal Compliance Analyst in each year following.

There is no basis to disagree with these estimates.

LB 272 Fiscal Note 2021

State Agency Estimate						
State Agency Name: Department	of Revenue				Date Due LFO:	
Approved by: Tony Fulton		Date Prepared:	2/2/2021		Phone: 471-5896	
FY 2021-2022		-2022	FY 2022-2023		FY 2023-2024	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$182,810	\$ 0	\$28,000	(\$2,500,000)	\$28,600	(\$2,500,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$182,810	\$ 0	\$28,000	(\$2,500,000)	\$28,600	(\$2,500,000)

LB 272 provides a nonrefundable income tax credit, for taxable years beginning or deemed to begin on or after January 1, 2022, for wages paid to a qualified apprentice. An employer must apply for the tax credit on a form developed by the Department of Revenue (Department) and estimate the total number of apprentices that will be employed, the number of hours expected to be worked by each apprentice, and the total wages expected to be paid to each apprentice during the following calendar year.

The Department must review and approve the application and certify the amount of tax credits for the employer. The Department will consider the applications in the order received and may approve up to \$2.5 million in tax credits per calendar year. The employer must file the certification of tax credits with its tax return. Any tax credits, claimed, but not used may be carried forward until fully utilized.

The tax credit is equal to \$1 multiplied by the total number of hours expected to be worked during the following calendar year by apprentices employed by the taxpayer, except that the amount of credit with regard to any individual apprentice will not exceed \$2,000 or 50% of the total wages paid to the apprentice during the following calendar year, whichever is less.

A qualified apprenticeship training program is defined as a program that is administered pursuant to 29 U.S.C. 50; consists of at least 1,200 hours but not more than 8,000 hours of on-the-job apprenticeship training in the construction trades; certified in accordance with regulations adopted by the Office of Apprenticeship of the United States Department of Labor; and is administered by trustees.

Major Objects of Expenditure							
Class Code	Classification Title	21-22 FTE	22-23 FTE	23-24 <u>FTE</u>	21-22 Expenditures	22-23 Expenditures	23-24 Expenditures
A21211	Fiscal Compliance Analyst	0.0	0.5	0.5	\$20,600	\$21,100	\$21,500
A29621	Revenue Tax Specialist	0.5	0.0	0.0	\$27,000		
Benefits.				<u> </u>	\$15,700	\$6,900	\$7,100
Operating Costs				\$146,910			
Travel							
Capital Outlay					\$5,000		
Capital Improvements							
Total			\$182,810	\$28,000	\$28,600		

LB 272 page 2 Fiscal Note 2021

The estimated total reduction to the General Fund revenues would be as follows:

FY 2021-2022	\$ -
FY 2022-2023	\$ 2,500,000
FY 2023-2024	\$ 2,500,000
FY 2024-2025	\$ 2,500,000
FY 2025-2026	\$ 2,500,000

LB 272 would require a one-time programming charge of \$ 104,910 paid to the OCIO for mainframe and web development changes. The Department will require 0.5 FTE Revenue Tax Specialist in the first year of implementation and 0.5 FTE Fiscal Compliance Analyst in subsequent years.

The operative date for this bill is 3 months after adjournment.